M E M O R A N D U M

To: State Department Directors
State Department Chief Financial Officers
State Department Chief Information Officers
Non-state Customers of DAS-ITE Marketplace Services

From: John Gillispie, Chief Operating Officer, DAS-Information Technology Enterprise
Lana Morrissey, Chief Financial Officer, DAS
Mollie Anderson, Director, DAS

Date: June 3, 2008

Re: DAS-ITE Marketplace Services and Rates – Changes effective beginning July 1

Effective July 1, 2008 – the beginning of Fiscal Year 2009 – a number of changes will take place affecting DAS-ITE (Information Technology Enterprise) marketplace services. These changes include adding, deleting and consolidating services, as well as re-pricing services to better align costs and prices.

You will not experience any interruption in service or any noticeable change to the services you currently receive from DAS-ITE. The changes will be seen only in your billings.

Why are we doing this?

DAS is utilizing an Activity-Based Costing (ABC) model to analyze all marketplace services and rates. Work began with ITE because it's the division of DAS offering the most marketplace services (customers have the option of purchasing these services from us or another entity). ABC has given us the opportunity to better align the prices we are charging with the actual costs to provide these services.

This project is about becoming more efficient and streamlined. In addition to re-pricing, services were cleaned up and restructured to make it simpler for customers to order – and receive – the exact services they need.

Changes effective July 1, 2008:

A summary of the changes taking place is below. Each agency/customer will receive, attached to this memo, a personalized Customer Impact Spreadsheet of the changes for your agency, based on previous usage of DAS-ITE marketplace services. A more detailed explanation of how to read the spreadsheet follows this section.

- The more than 200 marketplace services currently listed for DAS-ITE will be streamlined to approximately 80.

- 82 service IDs will be eliminated, either because these services are outdated, duplicates, no longer in use, or because these services will be absorbed under other listings.

- 58 services are being consolidated into other service IDs to streamline services and make it easier for customers to get what they need by simply ordering one service.

- A few services are actually being broken down to show separate, supporting services in order to allow customers more flexibility in getting only the services they need and greater accuracy in billing. For most customers this means the bill for these services will be itemized to include the supporting services, such as set-up fees or storage necessary for a service, but previously not shown on bills.

- In some cases, the metric – or unit – used for measuring consumption is changing. For example, tape storage rates used to either be measured in megabytes, number of tapes or by the hour. As of July 1, all tape storage rates will be billed based on gigabytes used. This will make billing more consistent and therefore easier for customers to order.

- In most cases, the rate being charged for the service will change. Some rates are going up, while others are decreasing. All rates were analyzed using ABC methods, and we feel this has allowed us to develop rates that are more accurate and fair.

- In a few rare cases we discovered that agencies were receiving a service for which they were not being properly billed, or not being billed at all. For those customers you will not notice any change to the services being received, but you will notice an addition to your eDAS bill.

➢ **All of these changes are effective July 1, 2008.**

➢ **All of these changes will take place automatically.** Customers wishing to continue receiving the same levels of service do not need to do anything. If you are interested in adjusting your levels of services, please call or e-mail the service contact listed in the eDAS online catalog (https://edas.iowa.gov).

➢ **All of these changes – as they pertain to your agency/organization – are detailed on the attached, personalized Customer Impact Spreadsheet.**

How do I read the Customer Impact Spreadsheet?

The spreadsheet lists the services **previously** billed for DAS-ITE marketplace services from July 2007 – January 2008 and how those services will **change** beginning with the July 2008 bill.

There are five possible categories you will see on the spreadsheet, depending on what services you currently receive:

❑ **Rate changed only** – Some services were not altered except to adjust the rate. The new rate is listed in the *FY09 Rate* column. The final column shows an estimated difference between charges for seven months of FY08 and seven months of FY09, based on available consumption data.

❑ **Eliminated** – Some service codes are being eliminated beginning with FY2009. This does <u>not</u> mean customers will stop receiving any services, these service IDs will just no longer appear on billings. In some cases there were duplicative services that simply need to be deleted; in other instances the functions of the services listed in this category are being absorbed under a different service code.

❑ **Consolidated** – 58 services are being consolidated into other services. Under this heading you will see lists of services followed by a line with a highlighted service. All of the services listed are being consolidated into the *one* service highlighted in yellow below the list. The highlighted line will also display the new rate for FY09, what the metric (unit) is for charging the rate, the estimated FY09 charge for seven months' worth of service, and the difference between seven months of FY08 services and seven months of FY09 services.

❑ **Metric changed** – Previously, some services in the same area were being charged using different metrics (or units) of consumption. We have strived to make metrics more consistent within service areas so billing is easier to understand, as well as fairer to all customers. Under this category you will see services listed with the current rate and unit listed, as well as the metric change. Where possible, we have calculated an estimate of what your new charge will be but, in some cases, this information is "unavailable" because we could not determine what your consumption will be when applying the new metric.

❑ **Not previously billed** – In this section it will be noted if we discovered any services for which you were not being properly billed, or billed at all. Any services listed here may appear to be "new" services on your eDAS bill, but in fact they have simply been added to reflect actual consumption by your agency.

Important Notes about the Customer Impact Spreadsheet:

➢ If you do not have any services falling within one of the five categories listed, you will not see that category on your spreadsheet.

➢ ITE service providers are still in the process of reconciling services provided to actual services billed. Information identified and provided on unbilled services to customers has been included on your customer impact spreadsheet, if applicable. If we did not receive information about consumption of a service and that service is consumed in FY09, the appropriate additional charges will appear on your eDAS bill.

➢ Please note that all figures for FY09 charges are estimates only. The estimates were calculated using consumption levels for July 2007 – January 2008 (seven months). Actual charges will be based on actual consumption.

➢ The estimates provided in the *FY09 $ (Est. 7 mths.)* column are for a seven-month period; they are **<u>not</u>** annual figures. A seven-month estimate is provided so comparisons can be made to the July '07 – January '08 data available and provided in the *Jul – Jan. Charge* column.

➢ "Unavailable" under *FY09 $ (Est. 7 mths.)/Difference* simply means that an estimate of your future bill for this service was not possible to calculate. Usually this was due to significant changes made to the unit used for measuring consumption (so we couldn't compare "apples to apples"), or because not enough information about current usage was available.

In the Works

DAS continues to evaluate data for the Print Services area. No changes are being made to Print services and rates at this time, but we continue to work through the ABC model with this area and will notify you when changes are made.

Service names and descriptions are being reviewed and rewritten to ensure that customers can easily understand the services they have ordered and been billed for. The FY09 information will be visible on eDAS after the FY08 13th billing period in late July.

DAS is also exploring options available to update categories in eDAS without affecting prior fiscal year bills and customer views. If these programming changes can be made, DAS will restructure the category groupings in eDAS to group similar products and services on the monthly bill in the future.

Because of the significant scale of these changes, DAS will continue to monitor the performance of individual services and is prepared to address any issues that arise. Services will be reviewed over the next 3-6 months and pricing will be adjusted to correct any over- or under-cost recoveries. At this time, it is expected the next rate adjustments, if necessary, will occur in January 2009. Customers will be notified of any additional changes made to services or rates.

For More Information

We realize this can be a complicated issue. It is our hope that this memo and the attached spreadsheet will aid you in understanding how these changes will directly affect you – and how these changes will make ordering and billing easier for all our customers. More information about activity-based costing and the DAS-ITE marketplace service and rate changes is also available at http://das.iowa.gov/services_rates/abc.html. There are links there to submit questions, and we will be posting any questions received from customers and answers on our site as an additional resource for you. If you have questions or concerns, we encourage you to visit the web site.

Thank you.